

**EASTERN IDAHO TECHNICAL COLLEGE**

**INDEPENDENT AUDITOR'S REPORT  
and  
FINANCIAL STATEMENTS**

**JUNE 30, 2007 AND 2006**



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**INDEPENDENT AUDITOR'S REPORT**

Idaho State Board of Education  
Eastern Idaho Technical College  
Idaho Falls, Idaho

We have audited the accompanying statements of net assets of Eastern Idaho Technical College (College) as of and for the years end June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of Eastern Idaho Technical College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Eastern Idaho Technical College Foundation, a discretely presented component unit, as described in Note 7. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based solely on the report of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Idaho Technical College and its discretely presented component unit, as of June 30, 2007 and 2006, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.



Eugene, Oregon  
November 16, 2007

## **EASTERN IDAHO TECHNICAL COLLEGE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### ***Overview of the Financial Statements***

This financial report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.*"

This section of Eastern Idaho Technical College's financial report presents management's discussion and analysis of the College's financial activities during the fiscal year ended June 30, 2007 with comparative financial data for the year ended June 30, 2006.

As required by GASB, this report includes the following three basic financial statements that provide information on the College as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Each of these statements will be discussed.

This discussion and analysis focuses on the College's primary institution operations. The College's discretely presented component unit, Eastern Idaho Technical College Foundation, Inc., issues separately audited financial statements which can be obtained directly from the Foundation's administrative office.

### ***Statement of Net Assets***

The statement of net assets presents the financial position of the College at the end of the fiscal year and includes all the College's assets and liabilities. The difference between total assets and total liabilities is net assets and is an indicator of the College's current financial condition. The change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

#### **Summary Statement of Net Assets**

	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>Increase (Decrease)</u></b>
Assets:			
Current assets	\$ 3,954,880	\$ 3,983,279	\$ (28,399)
Noncurrent assets	<u>12,525,540</u>	<u>12,824,954</u>	<u>(299,414)</u>
Total assets	<u>16,480,420</u>	<u>16,808,233</u>	<u>(327,813)</u>
Liabilities:			
Current liabilities	760,815	714,313	46,502
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>760,815</u>	<u>714,313</u>	<u>46,502</u>
Net assets:			
Invested in capital assets	12,525,540	12,824,954	(299,414)
Unrestricted	<u>3,194,065</u>	<u>3,268,966</u>	<u>(74,901)</u>
Total net assets	<u>15,719,605</u>	<u>16,093,920</u>	<u>(374,315)</u>
Total liabilities and net assets	<u>\$ 16,480,420</u>	<u>\$ 16,808,233</u>	<u>\$ (327,813)</u>

A review of the College's statement of net assets at June 30, 2007 and 2006 indicates a decrease in net assets from \$16.1 million in 2006 to \$15.7 million in 2007, or a reduction of approximately 2.3% from the prior year. The \$28,399 decline in current assets is largely due to decreases of \$401,782 in cash and cash equivalents and \$49,917 in prepaid expenses offset by a \$413,510 increase in accounts receivable and amounts due from other state agencies. These variances are attributable primarily to timing differences as the College was in different stages of its normal operating cycle of collecting and converting receivables and amounts due from other state agencies to cash and cash equivalents. The \$299,414 decrease in non-current assets is represented by a \$338,526 net addition to fixed assets less depreciation recognized on property, plant and equipment amounting to \$637,940.

As of June 30, 2007, total College assets were \$16.5 million. Current assets consisted primarily of cash and cash equivalents amounting to \$1,413,512, cash with the state treasurer in the amount of \$1,335,661 and amounts due from other state agencies totaling

\$922,572. The College's largest asset is its investment in property, plant and equipment, which totals \$12.5 million.

Current liabilities are largely represented by accounts payable and other accrued liabilities. Amounts due to employees for salaries and related benefits earned but not yet paid as of June 30, 2007 totaled more than \$420,000. Additional amounts due to employees for compensated absences amounted to nearly \$187,000 and balances due to suppliers for goods and services provided to the College on or prior to June 30, 2007 were nearly \$114,000. The \$47,000 change in current liabilities is represented primarily by increases in amounts due to employees, amounts due for compensated absences and amounts due to suppliers in the amounts of \$10,300, \$19,600 and \$16,000 respectively.

### ***Statement of Revenues, Expenses and Changes in Net Assets***

The statement of revenues, expenses and changes in net assets presents the operating results of the College, as well as other non-operating revenues and expenses and the resulting effect on net assets.

#### **Summary Statement of Revenues, Expenses and Changes In Net Assets**

	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>Increase (Decrease)</u></b>
Operating revenues	\$ 3,787,710	\$ 3,857,030	\$ (69,320)
Operating expenses	<u>10,454,650</u>	<u>9,750,613</u>	<u>704,037</u>
Operating loss	(6,666,940)	(5,893,583)	773,357
Net nonoperating revenues	<u>6,049,867</u>	<u>5,762,959</u>	<u>286,908</u>
Income (loss) before other revenues	(617,073)	(130,624)	(486,449)
Other revenues	<u>242,758</u>	<u>698,673</u>	<u>(455,915)</u>
Increase in net assets	(374,315)	568,049	(942,364)
Net assets - beginning of year	<u>16,093,920</u>	<u>15,525,871</u>	<u>568,049</u>
Net assets - end of year	<u>\$ 15,719,605</u>	<u>\$ 16,093,920</u>	<u>\$ (374,315)</u>

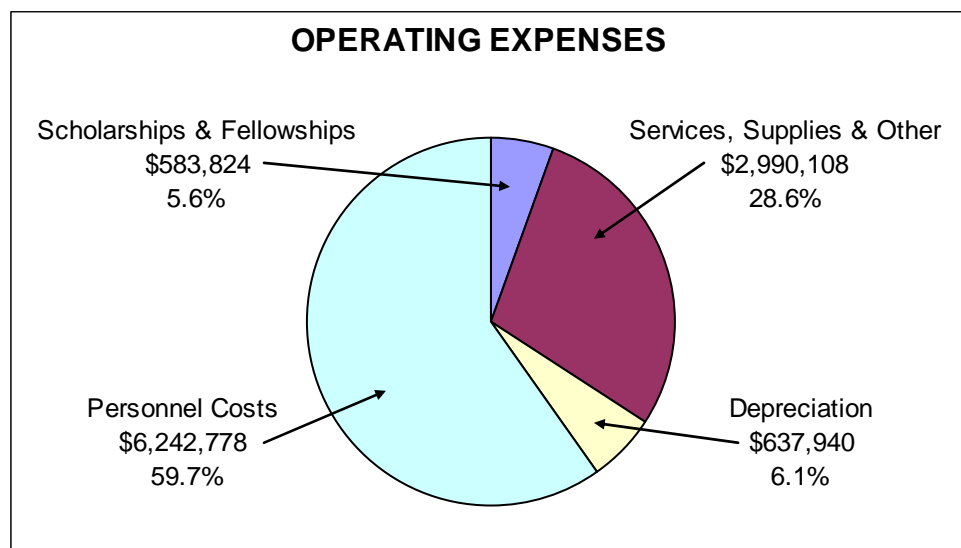
Operating revenues include activities having characteristics of exchange transactions (the payer/sponsor receives a benefit approximately equal in value to the payment or award) whereas; non-operating revenues include those activities having characteristics of non-

exchange transactions (the payer/sponsor makes a voluntary transfer without directly receiving equal value in return). Operating revenues decreased by \$69,320 from 2006. The most notable change in operating revenues was a decrease of \$116,543 in the grants and contracts administered by the College. The most significant change in grants and contracts was a decrease of nearly \$123,000 in revenues recognized for the Pell and SEOG financial aid programs. Net student fees increased by \$21,414 while sales and services of educational activities and auxiliary enterprises increased by \$26,206. The \$704,037 increase in operating expenses is largely due an outlay of nearly \$396,000 for the upgrade of the College's student information software system. The College experienced a \$114,463 increase in personnel costs and also made a significant investment in computer upgrades, approximately \$194,000 over that of 2006. Net non-operating revenues increased by \$286,908 largely because of an increase in the College's state appropriation.

Student fees and grants and contracts account for the majority of operating revenues. Net student fees amounted to approximately \$948,000 while grants and contracts totaled approximately \$2,328,000.

In an effort to minimize or eliminate the potential to "double count" revenues, GASB requires tuition and fees to be reported net of scholarship discounts and allowances. Inter-departmental transactions are also eliminated in determining college-wide revenues and expenses. Scholarship allowances are typically amounts the College has recorded as revenues from gifts or grants and to the extent those resources are used to satisfy student charges for fees and related expenses an allowance is recorded. The College's allowances amounted to nearly \$457,000 for 2007. The College also identified and eliminated over \$84,000 in inter-departmental sales made during the year.

Operating expenses are the ordinary and necessary costs associated with the day-to-day operation, maintenance and management of the College.



Personnel costs are by far the largest single operating expense, accounting for 59.7% of the College's operating costs. Services, supplies and other represent 28.6% with scholarships and depreciation representing 5.6% and 6.1% respectively.

Operating expenses exceeded operating revenues for 2007, resulting in a \$6.7 million operating loss. State appropriations, at approximately \$5.8 million, continue to be the largest source of revenue for the College and are expended largely for the cost of operations. The GASB reporting model, however, regards state appropriations as non-operating revenues or subsidies even though they support operating activities. Operating losses are typical for colleges and universities that rely heavily on state appropriations for their support.

Other significant sources of non-operating revenues are gifts and interest income. The College received gifts of nearly \$130,000 from the EITC Foundation for student scholarships and over \$91,000 in interest income was earned by the College.

Other revenues consist primarily of capital grants and appropriations. Capital grants and appropriations are generally those that the resource provider restricts the recipient's use to capital acquisitions. Capital appropriations also include the cost of completed capital projects funded through such sources as the Idaho Permanent Building Fund and administered by the Idaho Division of Public Works. The College received approximately \$257,000 in capital grants and appropriations in 2007, a decrease of \$424,000 from \$681,000 received in 2006.



### ***Statement of Cash Flows***

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement also helps assess the College's ability to generate net cash flows and its ability to meet its obligations as they come due.

#### **Summary Statement of Cash Flows**

	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>Increase (Decrease)</u></b>
Cash provided by (used in):			
Operating activities	\$ (6,006,986)	\$ (5,355,559)	\$ (651,427)
Noncapital financing activities	5,752,415	5,761,562	(9,147)
Capital and related financing activities	(238,683)	(2,722)	(235,961)
Investing activities	<u>91,472</u>	<u>55,252</u>	<u>36,220</u>
Net increase (decrease) in cash	(401,782)	458,533	(860,315)
Cash and cash equivalents - beginning of year	<u>3,150,955</u>	<u>2,692,422</u>	<u>458,533</u>
Cash and cash equivalents - end of year	<u>\$ 2,749,173</u>	<u>\$ 3,150,955</u>	<u>\$ 401,782</u>

The College's cash and cash equivalents decreased \$401,782 during 2007. A significant decline in operating sources was experienced with a \$296,510 decrease in grants and contracts while a significant increase in operating uses was \$605,026 in payments to suppliers.

Major sources of operating funds were net student fees \$954,191, grants and contracts \$2,191,398 and auxiliary enterprise sales \$415,933. Major uses of operating funds were payments to suppliers \$2,865,771, payments to employees \$6,212,859 and payments for scholarships \$583,824. The College's significant sources of cash provided by non-capital financing activities were state appropriations \$5,626,573 and gifts \$129,999. The primary use of funds in financing activities was a \$287,882 investment in capital assets. Interest received on investments, \$91,472, was the only source of funds from investing activities.

### ***Component Unit Foundation***

In May 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB 14. This statement clarified the definition of a component unit for financial reporting purposes. As a result, the College is discretely reporting the Statement of Net Assets and the Statement of

Revenues, Expenses and Changes in Net Assets for the Foundation as part of the financial statements for the College.

At June 30, 2007, the statement of net assets revealed that the total assets of the Foundation were \$3,611,013. Foundation assets are comprised primarily of cash and cash equivalents amounting to \$231,661, investments totaling \$3,257,495 and notes receivable of \$95,688. Foundation liabilities are comprised of accounts payable and annuities payable in the amounts of \$4,984 and \$79,656 respectively. Net assets of the Foundation total \$3,526,373. Of this amount, \$3,051,100 is restricted by donor stipulations that limit the use of the donated assets.

The statement of revenues, expenses and changes in net assets for 2007 indicates an increase in net assets of \$508,480. Primary sources of revenues for the Foundation were public support \$307,282, investment income \$181,687 and other net investment gains of \$219,187. Significant expenses of the Foundation include scholarship payments to the College \$129,999 and personnel costs \$59,057.

### ***Future Economic Outlook***

Construction on the \$10 million Health Education Building is scheduled for completion and occupancy for fall of 2008. This state of the art facility will allow the College to continue to provide quality health education to the service area and community for years to come.

The College is largely dependent upon ongoing financial and political support from state government. The College's state appropriations, including capital appropriations, comprised over 59% of total revenues for 2007, clearly indicating the economic position and future of Eastern Idaho Technical College is closely tied to that of the state of Idaho.

State revenues have increased steadily since 2005, resulting in a general fund surplus of \$268.8 million at June 30, 2007. The current financial health of Idaho's economy has translated into increased general fund appropriations to the College amounting to 5.9% for 2007 and 9.2% for 2008. Even though this trend appears to be favorable, the College remains cautious when considering the likelihood of receiving future appropriations that might exceed the maintenance of current operations ("MCO") level. Consequently, the College continues to utilize appropriate cost control measures, which overtime, may adversely affect institutional operations, student recruitment, competitive student fees and overall educational quality.

# EASTERN IDAHO TECHNICAL COLLEGE

## STATEMENT OF NET ASSETS JUNE 30, 2007 AND 2006

ASSETS	COLLEGE		COMPONENT UNIT	
	2007	2006	2007	2006
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,413,512	\$ 2,004,591	\$ 231,661	\$ 233,683
Cash with state treasurer	1,335,661	1,146,364	-	-
Accounts receivable and unbilled charges	172,465	121,930	-	-
Due from state agencies	922,572	559,597	-	-
Inventories	110,670	100,880	-	-
Investments	-	-	2,539,867	2,054,224
Prepaid expenses	-	49,917	-	-
Other current assets	-	-	26,169	19,657
Total current assets	<u>3,954,880</u>	<u>3,983,279</u>	<u>2,797,697</u>	<u>2,307,564</u>
NONCURRENT ASSETS:				
Note receivable	-	-	95,688	108,186
Investments	-	-	717,628	656,748
Property, plant and equipment - net	<u>12,525,540</u>	<u>12,824,954</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>12,525,540</u>	<u>12,824,954</u>	<u>813,316</u>	<u>764,934</u>
TOTAL ASSETS	<u>\$ 16,480,420</u>	<u>\$ 16,808,233</u>	<u>\$ 3,611,013</u>	<u>\$ 3,072,498</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 113,948	\$ 97,938	\$ 4,984	\$ -
Accrued salaries and benefits payable	420,693	410,375	-	-
Compensated absences payable	186,547	166,946	-	-
Deposits	6,262	10,419	-	-
Deferred revenue	33,365	28,635	-	-
Annuities payable	-	-	7,893	7,161
Total current liabilities	<u>760,815</u>	<u>714,313</u>	<u>12,877</u>	<u>7,161</u>
NONCURRENT LIABILITIES:				
Annuities payable	-	-	71,763	47,444
TOTAL LIABILITIES	<u>760,815</u>	<u>714,313</u>	<u>84,640</u>	<u>54,605</u>
NET ASSETS:				
Invested in capital assets - net of related debt	12,525,540	12,824,954	-	-
Restricted for:				
Nonexpendable	-	-	717,628	656,748
Expendable	-	-	2,333,472	1,931,342
Unrestricted	<u>3,194,065</u>	<u>3,268,966</u>	<u>475,273</u>	<u>429,803</u>
Total net assets	<u>15,719,605</u>	<u>16,093,920</u>	<u>3,526,373</u>	<u>3,017,893</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,480,420</u>	<u>\$ 16,808,233</u>	<u>\$ 3,611,013</u>	<u>\$ 3,072,498</u>

See accompanying notes

# EASTERN IDAHO TECHNICAL COLLEGE

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2007 AND 2006

	COLLEGE		COMPONENT UNIT	
	2007	2006	2007	2006
OPERATING REVENUES:				
Student fees (net of scholarship discounts and allowances of \$457,423 and \$488,905)	\$ 947,928	\$ 926,514	\$ -	\$ -
Federal grants and contracts	1,651,895	1,812,382	-	-
State and local grants and contracts	301,596	310,141	-	-
Private grants and contracts	374,132	321,643	-	-
Sales and services of educational activities	66,897	74,518	-	-
Sales and services of auxiliary enterprise - bookstore	418,213	384,386	-	-
Foundation public support	-	-	307,282	385,064
Foundation investment income	-	-	181,687	151,746
Other	27,049	27,446	138	515
Total operating revenues	3,787,710	3,857,030	489,107	537,325
OPERATING EXPENSES:				
Personnel costs	6,242,778	6,128,315	59,057	59,067
Services	891,359	809,634	16,311	20,451
Supplies	1,599,225	969,188	-	-
Insurance, utilities and rent	347,746	377,622	-	-
Scholarships and fellowships	583,824	715,292	8,105	-
Depreciation	637,940	624,704	-	-
Scholarship payments to the College	-	-	129,999	124,777
Miscellaneous	151,778	125,858	45,399	21,589
Total operating expenses	10,454,650	9,750,613	258,871	225,884
OPERATING INCOME (LOSS)	(6,666,940)	(5,893,583)	230,236	311,441
NONOPERATING REVENUES:				
State appropriations	5,828,396	5,576,669	-	-
Gifts (includes \$129,999 and \$124,777 from the Foundation)	129,999	131,038	-	-
Interest income	91,472	55,252	-	-
Unrealized gain (loss) on investments	-	-	168,262	(29,260)
Gain (loss) on sale of investments	-	-	50,925	(15,655)
Donated services	-	-	59,057	59,067
Total nonoperating revenues	6,049,867	5,762,959	278,244	14,152
INCOME (LOSS) BEFORE OTHER REVENUES	(617,073)	(130,624)	508,480	325,593
OTHER REVENUES (EXPENSES):				
State capital appropriations	125,289	574,385	-	-
Capital grants and gifts	131,290	138,722	-	-
Gain (loss) on disposition of property, plant and equipment	(13,821)	(14,434)	-	-
Total other revenues (expenses)	242,758	698,673	-	-
INCREASE (DECREASE) IN NET ASSETS	(374,315)	568,049	508,480	325,593
NET ASSETS, BEGINNING OF YEAR	16,093,920	15,525,871	3,017,893	2,692,300
NET ASSETS, END OF YEAR	\$ 15,719,605	\$ 16,093,920	\$ 3,526,373	\$ 3,017,893

See accompanying notes

# EASTERN IDAHO TECHNICAL COLLEGE

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2007 AND 2006

	<b>COLLEGE</b>	
	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Student fees	\$ 954,191	\$ 925,719
Grants and contracts	2,191,398	2,487,908
Sales and services of educational activities	66,897	74,518
Payments to suppliers	(2,865,771)	(2,260,745)
Payments to employees	(6,212,859)	(6,275,068)
Payments for scholarships and fellowships	(583,824)	(715,292)
Sales and services of auxiliary	415,933	379,955
Other receipts	27,049	27,446
	<u>(6,006,986)</u>	<u>(5,355,559)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	5,626,573	5,634,656
Gifts	129,999	131,038
Deposits and advances	<u>(4,157)</u>	<u>(4,132)</u>
	<u>5,752,415</u>	<u>5,761,562</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants and contracts	46,449	176,654
Purchases of property, plant and equipment	(287,882)	(179,376)
Proceeds from the sale of property, plant and equipment	<u>2,750</u>	<u>-</u>
	<u>(238,683)</u>	<u>(2,722)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	<u>91,472</u>	<u>55,252</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(401,782)</b>	<b>458,533</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b><u>3,150,955</u></b>	<b><u>2,692,422</u></b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 2,749,173</u></b>	<b><u>\$ 3,150,955</u></b>

See accompanying notes

# EASTERN IDAHO TECHNICAL COLLEGE

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2007 AND 2006

	<b>COLLEGE</b>	
	<b>2007</b>	<b>2006</b>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Operating income (loss)	\$ (6,666,940)	\$ (5,893,583)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	637,940	624,704
Maintenance costs paid by the Department of Public Works	68,200	900
Changes in assets and liabilities:		
Accounts receivable and unbilled charges - net	(136,972)	48,634
Inventories	(9,790)	12,350
Grants Payable	-	(12,545)
Unearned Fees	4,345	2,514
Prepaid Expenses	49,917	(4,610)
Accounts payable	16,011	12,916
Accrued salaries and benefits payable	10,318	(166,924)
Compensated Absences Payable	19,600	20,171
Deferred revenue	385	(86)
Net cash provided (used) by operating activities	<u>\$ (6,006,986)</u>	<u>\$ (5,355,559)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Donated assets	\$ 10,125	\$ 31,750
Assets acquired through state capital appropriations	\$ 125,289	574,385

# EASTERN IDAHO TECHNICAL COLLEGE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2007

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Eastern Idaho Technical College (the “College”) is part of the public system of higher education in the State of Idaho. The system is considered part of the Idaho financial reporting entity. The Idaho State Board of Education (“SBOE”), appointed by the Governor and confirmed by the legislature, directs the system. The College is located in Idaho Falls, Idaho. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**Reporting Entity** – The accompanying basic financial statements include the accounts of the College and the College’s related organization, Eastern Idaho Technical College Foundation, Inc. (the “Foundation”).

Governmental Accounting Standards Board (“GASB”) has issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Statement No. 39 requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. Consequently, the Foundation is presented in the accompanying basic financial statements as a discrete component unit due to the nature and significance of its relationship with the College as defined by GASB Statement No. 39. This relationship is such that its exclusion from the reporting entity could cause the College’s financial statements to be misleading or incomplete.

GASB Statement No. 39 does not require component unit cash flow statements to be displayed in the College’s financial statements.

Selected supplementary financial information related to the component unit Foundation is presented in Note 7.

**Basis of Accounting** – For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all Financial Accounting Standards Board (“FASB”) pronouncements issued after November 30, 1989, unless FASB

conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

***Cash and Cash Equivalents*** – The College considers all liquid investments with a remaining maturity of three months or less at the date of acquisition to be cash equivalents.

***Accounts Receivable*** – Accounts receivable consists of fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Idaho. Accounts receivable also include amounts due from the Federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

***Inventories*** – Inventories are valued at the lower of first-in, first-out cost ("FIFO") or market.

***Investments*** – The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains and losses on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets. The College did not have unrealized investment gains or losses for the years ended June 30, 2007 and 2006.

More comprehensive disclosure of common risks associated with deposits and investments are detailed in note 2, as per the requirements of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, if any, are classified as noncurrent assets in the statement of net assets.

Any funds deposited with the Idaho State Treasury for investment purposes can be subject to securities lending transactions initiated by the State Treasury. As of June 30, 2007 the College was not able to determine the extent those transactions occurred during the fiscal year.

***Deposit and Investment Risk*** – GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires comprehensive disclosure of common risks associated with deposits and investments of state and local governments. The application of these requirements is presented in Note 2.

***Property, Plant and Equipment*** – Property, plant and equipment are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of the gift. The College's capitalization policy includes all items with a



unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40-50 years for buildings, 20-25 years for land improvements, 10 years for library books, and 5-13 years for vehicles and equipment.

***Compensated Absences*** – Employee vacation pay that is earned but unused is accrued at year-end for financial statement purposes. Included in accrued liabilities in the statement of net assets, and as a component of personnel costs in the statement of revenues, expenses and changes in net assets is \$186,547 and \$166,946 for the years ended June 30, 2007 and 2006, respectively.

Employees who qualify for retirement under the Public Employee Retirement System of Idaho (“PERSI”) or the College and University Optional Retirement Plan (“ORP”) are eligible to use 50% of the cash value of their unused sick leave (to a maximum of 600 hours) to continue their medical insurance coverage through the College. The College partially funds these obligations by depositing .65% of employee gross payroll to the Sick Leave Insurance Reserve Fund (“SLIRF”). SLIRF is a trust fund administered by PERSI. The total contribution for the years ended June 30, 2007 and 2006 was \$25,476 and \$25,140, respectively.

***Deferred Revenues*** – Deferred revenues include amounts received for certain student fees prior to the end of the fiscal year which are related to the subsequent accounting period.

***Net Assets*** – The College’s net assets are classified as follows:

*Invested in capital assets, net of related debt* – This represents the College’s total investment in capital assets, net of outstanding debt obligations related to those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts would not be included as a component of invested in capital assets, net of related debt. At June 30, 2007 and 2006, the College has no outstanding debt obligations or unexpended debt proceeds.

*Unrestricted* – Unrestricted net assets represent resources derived from student fees, state appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions related to the educational and general operations of the College and may be used to meet current expenses for any lawful purpose, in compliance SBOE policy.

When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources will be used first, if permitted by the terms of the restrictions.

***Income Taxes*** – The College, as a political subdivision of the State of Idaho, is excluded from Federal income taxes under section 115(1) of the Internal Revenue Code, as amended.

***Classification of Revenues*** – The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

*Operating revenues* – Operating revenues included activities that have the characteristics of exchange transactions, such as (1) student fees, net of scholarship discounts and allowances, (2) sales and services of educational departments and auxiliary enterprises, and (3) most Federal, state and local grants and contracts and Federal appropriations.

*Non-operating revenues* – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, such as state appropriations and investment income.

***Scholarship Discounts and Allowances*** – Student fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Certain governmental grants, such as Pell grants, and other Federal, state or non-governmental programs are recorded as operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy student fees and related charges, the College has recorded a scholarship discount or allowance.

***Impairment of Capital Assets*** – Effective July 1, 2005, the College was required to adopt GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement, which was effective for periods beginning after December 15, 2004, requires the College to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairments of capital assets have occurred and record impaired assets and impairment losses accordingly. This statement also addresses the appropriate recording of insurance recoveries associated with events or changes in circumstances resulting in impairments of capital assets. The College has determined that no such impairments have occurred for the year ended June 30, 2007.

***Termination Benefits*** – In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement, which was effective for years beginning after June 15, 2005, establishes reporting standards for termination benefits provided by employers to employees as an inducement to hasten the termination of services or as a result of the voluntary early termination of services or as a consequence of the involuntary early termination of services. The College has determined there is no impact on the financial position or the results of its operations for the year ended June 30, 2007 by adopting Standard No. 47 effective July 1, 2005.

***Use of Accounting Estimates*** – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, and revenues and expenses during the year. Actual results could differ from those estimates.

***Reclassifications*** – Certain amounts reported in the 2006 financial statements may have been reclassified to conform to the 2007 presentation.

***New Accounting Standards*** – In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This statement establishes standards of accounting and financial reporting for other postemployment benefits expense/expenditures and related liabilities. The requirements of this Statement for the College are effective for the fiscal year ending June 30, 2008. The College has not completed the process of evaluating the impact that will result from adopting this Statement and is therefore unable to disclose the impact that adopting the Statement will have on its financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, which amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pension Plans by State and Local Governmental Employers*. The amendments align the financial reporting requirements for pensions with the reporting requirements for other postemployment benefits (OPEB) under Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The goal of Statement No. 50, the provisions of which are effective for periods beginning after June 15, 2007, is to improve the transparency of financial reporting by public sector employers and retirement plans. The College has not completed the process of evaluating the impact that will result from adopting this Statement and is therefore unable to disclose the impact that adopting the Statement will have on its financial statements.

## 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are carried at cost and are held by the College, deposited with various financial institutions or are deposited with the Idaho State Treasurer. Cash and cash equivalents at June 30, 2007 and 2006 consist of:

	2007	2006
Cash on hand	\$ 4,183	\$ 1,096
Deposits with financial institutions	1,409,329	2,003,495
Cash with State Treasurer	<u>1,335,661</u>	<u>1,146,364</u>
Total	<u>\$2,749,173</u>	<u>\$3,150,955</u>

Of the cash and cash equivalents reported on the statement of net assets, \$1,608 was restricted by donors, granting agencies or other contractual agreements at June 30, 2007.

***Custodial Credit Risk*** is the risk that in the event of a financial institutions failure, the College's deposits may not be returned. The College does not have a policy for managing such risk.

Any one of the following circumstances exposes a deposit to custodial credit risk:

- Deposits are uninsured and uncollateralized.
- Deposits are uninsured and collateralized with securities held by the pledging financial institution.
- Deposits are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but are not held in the College's name.

Of the total deposits with financial institutions, \$1,307,420 and \$1,900,925 was uninsured and collateralized with securities held by the pledging financial institution for the years ending June 30, 2007 and 2006 respectively. Cash deposits with the State Treasurer may be exposed to custodial credit risk. As of June 30, 2007, the College was not able to determine the extent of that exposure, if any.

***Investments*** – Idaho Code, Section 67-1210, limits credit risk by restricting the investment activities of state agencies with investment authority. Idaho Code further gives SBOE the authority to establish investment policies for Colleges and Universities. Section V Subsection D of the Governing Policies and Procedures of SBOE authorizes funds within the control of the College to be invested in FDIC passbook saving accounts, certificates of deposit, U. S. securities, federal funds repurchase agreements, reverse repurchase agreements, federal agency securities, large money market funds, bankers acceptances, corporate bonds of Aa

grade or better, mortgage backed securities of Aa grade or better and commercial paper of prime or equivalent grade all without prior board approval. Authority to make investments in any other form requires prior SBOE approval. The College does not have policies that further limit its deposit or investment alternatives beyond those allowed by SBOE.

### 3. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Account receivable and unbilled charges are all current and consist of the following at June 30, 2007 and 2006:

	2007	2006
Current:		
Student fees	\$ 11,074	\$ 12,608
Auxiliary enterprises	3,285	1,005
Grants and contracts	<u>158,106</u>	<u>108,317</u>
Total	<u>\$ 172,465</u>	<u>\$ 121,930</u>

#### 4. PROPERTY, PLANT AND EQUIPMENT

Following are the changes in property, plant and equipment for the year ended June 30:

<u>Property, Plant and Equipment Summary</u>	<u>2007</u>			
	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2007</u>
Property, plant and equipment not being depreciated				
Land	\$ 355,988	\$ -	\$ -	\$ 355,988
Construction in progress	<u>60,063</u>	<u>13,918</u>	<u>-</u>	<u>73,981</u>
Total property, plant and equipment not being depreciated	<u>416,051</u>	<u>13,918</u>	<u>-</u>	<u>429,969</u>
Other property, plant and equipment:				
Buildings and improvements	16,686,470	57,089	-	16,743,559
Furniture, fixtures and equipment	2,629,216	246,889	(86,466)	2,789,639
Library materials	<u>408,086</u>	<u>37,200</u>	<u>(13,425)</u>	<u>431,861</u>
Total other property, plant and equipment	<u>19,723,772</u>	<u>341,178</u>	<u>(99,891)</u>	<u>19,965,059</u>
Less accumulated depreciation:				
Buildings and improvements	(5,209,376)	(405,187)	-	(5,614,563)
Furniture, fixtures and equipment	(1,844,184)	(189,567)	76,608	(1,957,143)
Library materials	<u>(261,309)</u>	<u>(43,186)</u>	<u>6,713</u>	<u>(297,782)</u>
Total accumulated depreciation	<u>(7,314,869)</u>	<u>(637,940)</u>	<u>83,321</u>	<u>(7,869,488)</u>
Other property, plant and equipment net of accumulated depreciation	<u>\$ 12,408,903</u>	<u>\$ (296,762)</u>	<u>\$ (16,570)</u>	<u>\$ 12,095,571</u>
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	\$ 416,051	\$ 13,918	\$ -	\$ 429,969
Other property, plant and equipment at cost	<u>19,723,772</u>	<u>341,178</u>	<u>(99,891)</u>	<u>19,965,059</u>
Total cost of property, plant and equipment	20,139,823	355,096	(99,891)	20,395,028
Less accumulated depreciation	<u>(7,314,869)</u>	<u>(637,940)</u>	<u>83,321</u>	<u>(7,869,488)</u>
Property, plant and equipment - net	<u>\$ 12,824,954</u>	<u>\$ (282,844)</u>	<u>\$ (16,570)</u>	<u>\$ 12,525,540</u>

<b><u>Property, Plant and Equipment Summary</u></b>	<b>2006</b>			
	<b><u>Balance at June 30, 2005</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balance at June 30, 2006</u></b>
Property, plant and equipment not being depreciated				
Land	\$ 355,988	\$ -	\$ -	\$ 355,988
Construction in progress	<u>60,063</u>	<u>-</u>	<u>-</u>	<u>60,063</u>
Total property, plant and equipment not being depreciated	<u>416,051</u>	<u>-</u>	<u>-</u>	<u>416,051</u>
Other property, plant and equipment:				
Buildings and improvements	16,044,057	642,413	-	16,686,470
Furniture, fixtures and equipment	2,581,374	83,140	(35,298)	2,629,216
Library materials	<u>409,770</u>	<u>26,741</u>	<u>(28,425)</u>	<u>408,086</u>
Total other property, plant and equipment	<u>19,035,201</u>	<u>752,294</u>	<u>(63,723)</u>	<u>19,723,772</u>
Less accumulated depreciation:				
Buildings and improvements	(4,817,522)	(391,854)	-	(5,209,376)
Furniture, fixtures and equipment	(1,687,219)	(192,041)	35,076	(1,844,184)
Library materials	<u>(234,713)</u>	<u>(40,809)</u>	<u>14,213</u>	<u>( 261,309)</u>
Total accumulated depreciation	<u>(6,739,454)</u>	<u>(624,704)</u>	<u>49,289</u>	<u>(7,314,869)</u>
Other property, plant and equipment, net of accumulated depreciation	<u>\$ 12,295,747</u>	<u>\$ 127,590</u>	<u>\$ (14,434)</u>	<u>\$ 12,408,903</u>
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	\$ 416,051	\$ -	\$ -	\$ 416,051
Other property, plant and equipment at cost	<u>19,035,201</u>	<u>752,294</u>	<u>(63,723)</u>	<u>19,723,772</u>
Total cost of property, plant and equipment	19,451,252	752,294	(63,723)	20,139,823
Less accumulated depreciation	<u>(6,739,454)</u>	<u>(624,704)</u>	<u>49,289</u>	<u>(7,314,869)</u>
Property, plant and equipment - net	<u>\$ 12,711,798</u>	<u>\$ 127,590</u>	<u>\$ (14,434)</u>	<u>\$ 12,824,954</u>

## 5. OPERATING LEASE OBLIGATIONS

The College has entered into operating lease agreements covering various pieces of equipment and facilities. Some of those agreements provide for contingent charges for uses of equipment over the allowances included in the agreements, including charges for additional copies in the case of copier lease agreements. The lease payments for non-cancelable agreements in excess of one year for the years ended June 30, 2007 and 2006 were \$18,136 and \$15,936. Future minimum lease obligations under these agreements for the years ending June 30 are as follows:

2008	\$ 6,824
2009	200
2010	<u>0</u>
Total minimum obligations	<u>\$ 7,024</u>

## 6. RETIREMENT PLANS

***Public Employee Retirement System of Idaho*** – The Public Employee Retirement System of Idaho (“PERSI”), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members’ years of service, age and compensation. In addition, benefits are provided for disability, death and survivors of eligible members or beneficiaries. Designed as a mandatory system for eligible state and school employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. The benefits and obligations to contribute to the plan were established and may be amended by the Idaho State Legislature.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance ranges from 1.667% to 2.300% (depending upon employee classification and date of last contribution) of the average monthly salary for the highest consecutive 42 months.

For the years ended June 30, 2007 and 2006 the required contribution rates for general employers was 10.39% and 6.23% for general members. The College’s contributions required and paid were \$172,354, \$181,727 and \$164,902 for the three years ended June 30, 2007, 2006 and 2005, respectively.

PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained



by writing to Public Employee Retirement System of Idaho, PO Box 83720, Boise, ID 83720-0078.

***Optional Retirement Plan*** – Effective July 1, 1997, the Idaho State Legislature authorized SBOE to establish and to provide for the administration of an Optional Retirement Plan (“ORP”), a defined contribution plan, for faculty and exempt employees. The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State of Idaho. The plan provisions were established by and may be amended by the State of Idaho.

New faculty and exempt employees hired July 1, 1997 or thereafter automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1997 had a one-time opportunity to enroll in the ORP. Enrollees in the ORP no longer belong to PERSI. Vendor options include Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC).

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age. The contribution requirement (and amount paid) for the years ended June 30, 2007 and 2006 was \$332,451 and \$312,386, which consisted of \$174,828 and \$164,163 from the College and \$157,623 and \$148,223 from employees. These contributions represent 7.72% and 6.97% of covered payroll for the College and employees, respectively.

Although enrollees in the ORP no longer belong to PERSI, the College is required to contribute to PERSI 3.83% of the annual covered payroll. These annual supplemental payments are required through July 1, 2011. During the years ended June 30, 2007 and 2006, this supplemental funding payment made to PERSI was \$86,757 and \$80,464. This amount is not included in the regular College PERSI contributions discussed previously.

***Postretirement Benefits Other Than Pensions*** – The College offers a life insurance plan for employees who qualify for retirement under PERSI or ORP. This plan is established by the authority of and approved by SBOE through general powers granted to it pursuant to Idaho Code Section 33-107. During the years ended June 30, 2007 and 2006, the College made expenditures totaling \$4,256 and \$3,390 to purchase life insurance for 13 retired employees receiving this benefit.

This program is accounted for by the College on a pay-as-you-go basis; however, the GASB is studying a new accounting standard (GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*”) that would require the College to record this obligation on an actuarially determined basis. An actuarially determined valuation of this obligation would likely be significantly higher than the amount currently reported.

## 7. COMPONENT UNIT FOUNDATION

The Eastern Idaho Technical College Foundation, Inc. (“the Foundation”) was established for the purpose of soliciting donations and to hold and manage invested donations for the exclusive benefit of the College. The Foundation, a component unit of the College as described in Note 1, is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain presentation features are different from GASB presentation features and accordingly, no modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences.

Significant transactions occurring between the College and the Foundation include: the Foundation made scholarship payments to the College amounting to \$129,999 and \$124,777, for the years ending June 30, 2007 and 2006, respectively; the College provided funding for the Foundation’s director of operations salary and benefits in the amount of \$59,057 and \$59,067, for the years ending June 30, 2007 and 2006. Other selected supplementary information related to the Foundation is presented below. Certain prior year balances have been reclassified to conform to the presentation adopted in the current year.

***Cash and Cash Equivalents*** – At June 30, 2007 and 2006, the carrying amount of the Foundation’s cash and cash equivalents is comprised of the following:

	2007	2006
Cash on hand and held		
at banking institutions	\$ 163,832	\$ 141,621
Cash held in demand deposits		
at nonbanking institutions	<u>67,829</u>	<u>92,062</u>
Total balance held	<u>\$ 231,661</u>	<u>\$ 233,683</u>

***Custodial Credit Risk*** is the risk that in the event of a financial institutions failure, the Foundation’s deposits may not be returned. The Foundation does not have a written policy for managing credit risk. Of the total bank balance, \$111,153 and \$137,062 was covered by federal depository insurance for the years ended June 30, 2007 and 2006, respectively. Uninsured and uncollateralized deposits were \$120,508 and \$96,621 at June 30, 2007 and 2006, respectively.

***Investments*** – Investments are held at various nonbanking institutions. The following methods and assumptions were used by the Foundation board in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, and short-term pledges receivable: The carrying amounts reported in the statement of net assets approximate fair values because of the short maturities of those instruments.

Short-term and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments.

Note receivable: The fair value of the note receivable that is due in more than one year is estimated at the same as the face value of the note.

Investments are recorded at fair value and consist of the following:

	2007	2006
Money market funds	\$ 220,743	\$ 96,634
Equity securities	500,680	967,865
U.S. government securities	24,202	75,162
Corporate debt securities	<u>2,511,870</u>	<u>1,571,311</u>
Total investments	<u>\$3,257,495</u>	<u>\$2,710,972</u>

*Interest Rate Risk* – Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The Foundation has not adopted a formal policy that addresses interest rate risk.

**Foundation Maturity of Debt Investments at June 30, 2007**

<b><u>Investment Type</u></b>	<b><u>Less Than 1 Year</u></b>	<b><u>1-5 Years</u></b>	<b><u>6-10 Years</u></b>	<b><u>11-15 Years</u></b>	<b><u>16-20 Years</u></b>	<b><u>Over 20 Years</u></b>	<b><u>Total Fair Value</u></b>
Debt Securities:							
Money market funds	220,539	-	-	-	-	-	220,539
Certificates of deposit	20,158	-	15,074	-	-	-	35,232
US government obligations	-	-	-	24,202	-	-	24,202
Corporate obligations	-	-	-	46,043	17,800	-	63,843
Preferred securities	-	-	-	-	83,268	1,012,786	1,096,054
Total debt securities	<u>240,697</u>	<u>-</u>	<u>15,074</u>	<u>70,245</u>	<u>101,068</u>	<u>1,012,786</u>	<u>1,439,870</u>
Other preferred securities							199,799
Corporate domestic equities							491,197
Mutual funds & other pooled securities							<u>1,126,629</u>
Total Foundation investments							<u><u>3,257,495</u></u>

*Credit Risk of Debt Securities* – The risk that an issuer of debt securities or another party to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit ratings. Unless otherwise stated, the ratings presented below use the Moody's scale. The Foundation's policy limits its investment in bonds to securities issued or guaranteed by the government of the United States of America, or to corporate bonds rated investment grade (AAA, AA, A, BBB). This constraint does not apply to bonds held in mutual funds.

**Foundation Rated Debt Investments at June 30, 2007**

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Aaa</u></b>	<b><u>Aa3</u></b>	<b><u>Aa2</u></b>	<b><u>A3</u></b>	<b><u>A2</u></b>	<b><u>A1</u></b>	<b><u>BBB</u></b>	<b><u>Baa1</u></b>	<b><u>Baa2</u></b>	<b><u>Baa3</u></b>	<b><u>B-1</u></b>	<b><u>Unrated</u></b>
Money market funds	220,539						220,539						
Certificates of deposit	35,232						35,232						
US government obligations	24,202	24,202											
Corporate obligations	63,843		21,016				25,027					17,800	
Preferred securities	1,295,853	101,586	268,245	101,642	167,553	163,854	338,180	52,555	61,677	8,187	5,178		27,196
Total	1,639,669	125,788	289,261	101,642	167,553	163,854	618,978	52,555	61,677	8,187	5,178	17,800	27,196
Corporate domestic equities	491,197												
Mutual funds & other pooled securities	1,126,629												
Total Foundation securities	3,257,495												

***Note Receivable*** – The Foundation sold donated property and as partial payment received a \$150,000 note and deed of trust. The note bears interest at the rate of 8.25% and calls for monthly installments of \$1,744.

***Annuities Payable*** – The Foundation has received contributions in the form of irrevocable charitable remainder trusts with the trust agreements calling for quarterly and/or monthly annuity payments to be paid over the contributors' lives. The present value of the annuities were calculated using the applicable federal rate and the life expectancies of the donors at the time of the gift and updated for changes in life expectancies. The annual annuity payment obligation under these agreements for 2007 and 2006 was \$11,200.

## 8. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

<b><u>2007 Natural Classifications</u></b>								
<b><u>Functional Classifications</u></b>	<b>Personnel</b>	<b><u>Services</u></b>	<b><u>Supplies</u></b>	<b>Insurance, Utilities and</b>	<b><u>Scholarships</u></b>	<b><u>Depreciation</u></b>	<b><u>Miscellaneous</u></b>	<b><u>Total</u></b>
	<b><u>Costs</u></b>			<b><u>Rent</u></b>				
Instruction	\$ 3,630,026	\$ 194,421	\$ 407,563	\$ 23,151	\$ -	\$ -	\$ 17,337	\$ 4,272,498
Academic Support	585,373	144,119	122,974	21,197	-	-	1,125	874,788
Student services	686,778	93,537	553,050	45,601	-	-	25,552	1,404,518
Institutional support	907,140	254,607	46,624	8,854	-	-	101,410	1,318,635
Operations and maintenance of plant	383,487	204,103	119,033	248,943	-	637,940	6,354	1,599,860
Scholarships	-	-	-	-	583,824	-	-	583,824
Auxiliary enterprises	<u>49,974</u>	<u>572</u>	<u>349,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,527</u>
Total	<u>\$ 6,242,778</u>	<u>\$ 891,359</u>	<u>\$ 1,599,225</u>	<u>\$ 347,746</u>	<u>\$ 583,824</u>	<u>\$ 637,940</u>	<u>\$ 151,778</u>	<u>\$ 10,454,650</u>

<b><u>2006 Natural Classifications</u></b>								
<b><u>Functional Classifications</u></b>	<b>Personnel</b>	<b><u>Services</u></b>	<b><u>Supplies</u></b>	<b>Insurance, Utilities and</b>	<b><u>Scholarships</u></b>	<b><u>Depreciation</u></b>	<b><u>Miscellaneous</u></b>	<b><u>Total</u></b>
	<b><u>Costs</u></b>			<b><u>Rent</u></b>				
Instruction	\$ 3,477,580	\$ 171,579	\$ 347,817	\$ 20,850	\$ -	\$ -	\$ 21,170	\$ 4,038,996
Academic Support	587,737	119,426	96,655	20,676	-	-	1,534	826,028
Student services	739,429	68,156	26,966	41,456	-	-	21,822	897,829
Institutional support	894,555	228,435	40,294	7,987	-	-	74,943	1,246,214
Operations and maintenance of plant	375,755	217,767	108,204	286,653	-	624,704	6,389	1,619,472
Scholarships	-	-	-	-	715,292	-	-	715,292
Auxiliary enterprises	<u>53,259</u>	<u>4,271</u>	<u>349,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>406,782</u>
Total	<u>\$ 6,128,315</u>	<u>\$ 809,634</u>	<u>\$ 969,188</u>	<u>\$ 377,622</u>	<u>\$ 715,292</u>	<u>\$ 624,704</u>	<u>\$ 125,858</u>	<u>\$ 9,750,613</u>